# REACHING THE INDIVIDUAL INVESTOR

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This paper will be confined to a very limited and specific, although I hope not wholly unimportant, phase of the problem. It is a stupendous subject, and the success of war financing depends on a large number of national and economic questions and policies; upon a sane ratio between taxes and bonds; upon a sane equilibrium between doing away with extravagance and waste on the one hand, and business prosperity on the other; upon an alert observance of what European countries have done; and the finding ultimately, if the war keeps on, of a method, if such a thing is possible, of converting into the basis of credit for war loans, securities owned by our savings banks and insurance companies. That is the most serious problem of all, and one whose solution has not yet been seriously attempted.

The subject of this paper is the specific and limited one of reaching the individual investor in war loans—war bonds. What has happened? President Wilson decided on war; Congress decided on war. Mr. McAdoo and Congress then had to raise the money and they put through a bill; so many bonds, so much taxes. Mr. McAdoo called in the governors of the twelve federal reserve banks and said, "Raise the bonds." That is what it amounts to.

The governors of the twelve federal reserve banks each appointed a committee, and in the larger cities—New York and probably Philadelphia, Boston and Chicago—the committees are made up of men of such prominence and of such wide activities that they cannot devote much time to it; and it comes down to this, that in each large federal reserve center, two or three men, unknown to the public but well known in their particular lines—experts—are given the problem of selling in four weeks, billions of dollars in bonds. In New York City two men practically had to sell two billion dollars worth of bonds in four weeks.

Now let us put ourselves in their places. For lack of time, I am not going to consider at all the question of institutions, that is, of

corporations and their large subscriptions, but just the individual investor. There are three immediate methods of organization for reaching the individual investor: first, community; second, occupational or vocational; and third, one which has been little attempted as yet, *viz.*, his position in the capitalistic scale, in the vernacular, according to how much money he has. That has been attempted only to a slight extent.

In the cities the community organization has been wonderful, but not so, as a general rule, either in the country or in the smaller places. This is natural enough. The city is impersonal, but not so with the small place. Now, I want to pay a tribute to the devoted work of the liberty loan committees in the small places. In my own town, halfway between New York and Philadelphia, the chairman of the committee was a very fine young man who did splendid work, and there are thousands of others like him. But these small town liberty loan committees must wake up and must handle this problem without kid gloves. If they want to raise loans—and they must if this war continues—they have to face the naked problem. They are afraid to go after the subscribers. That is their trouble. Everybody knows everybody else in a small town of five or six thousand population, or in a suburb, and they are afraid to go to them.

And what happens? The rich people subscribe, and the wage-earners, if there happens to be a factory there with an employer to persuade them or to bring pressure; but the people of moderately comfortable circumstances are not doing their duty, and it is because the bankers and the liberty loan committees are afraid to go after them.

I personally know of a family living on a scale of great luxury that gave it out that they might subscribe for $200 worth of bonds, but no more. Perhaps they took more and perhaps they took none at all, but there was no method of checking them up. There are numberless instances of plain holding back, of fundamental, individual selfishness.

The occupational organization is splendid in the cities where committees can be organized, but it doesn't work in the small towns at all; and furthermore, no one has yet organized the occupational campaign to reach a class of people, perhaps not great numerically, but of wealthy circumstances. I refer to the independent business

man, the operator, the speculator, the trader and other similar individuals. There is no way of reaching them. There is no way of reaching men of my profession. No one has ever solicited me to buy a liberty bond, except one boy scout.

And most important of all, there seems to be no way of reaching the retired person of just moderate circumstances, and the woman of moderate circumstances—the widows and old maids who have inherited fifty or seventy-five thousand dollars. They are not reached. Some of them are patriotic and have come forward of their own accord, but the occupational program does not get to them, and in the small place the community program does not reach them.

This matter of reaching people according to the amount of money they have is perhaps another phase of the point I have just been making, and I can get at that best by referring to a very specific thing, and that is the matter of quota. For each town a certain figure is presented and the people are told, "You must subscribe a certain amount of bonds." I don't know whether politics has entered into that or not—I rather think it has—at least community politics. For instance, a large city will say to a small town nearby, "You raise such and such an amount," and sometimes they will tell them to raise more than they ought to. That is not the important thing. Perhaps I am open to correction, but I think that these quotas are determined on the basis of bank resources and to some extent, I think—in the second liberty loan, at least—of population.

Now, that may be the only practical basis. It is very foolish for me to criticize a thing that other people know very much more about, but if this war goes on it will be necessary to have a committee of experts, of economists, to try to get at this thing on the basis of wealth and make these quotas on the basis of wealth, as well as on the basis of banking resources.

Take the little town of Kerhonkson in New York state. It exceeded its quota many times and there was an item in the papers about it. Yes, it exceeded its quota many times because there are no banks in the town while there is a large sanitorium patronized by millionaires. The owner of the sanitorium is wealthy and is very loyal and he probably put in a big subscription himself. There is no particular credit to the town in that, and they would not have

had the apparent results they did if their quota had been on the basis of actual wealth instead of banking resources.

It may be necessary in the small places to resort to publicity. Of course, everyone is opposed to that, but I honestly believe that if the war goes on, we must, at least in the smaller places, post up a list of those who have subscribed, and if that is once done there will be no lack of subscriptions.

Now these are details, but they are important ones. Some captain of industry has said that we might have to raise a hundred billion dollars if this war continues, and it reminds me of a dream I had the other night. I was approaching a solid stone wall that couldn't be scaled, but as I came up to it, it faded away and I walked right through.

It is not as easy as that. Professor Taussig has said that we must not approach it with a light heart; but three years ago our most eminent bankers said that if we loaned more than one billion dollars to our allies, we would drain our country of its resources. We have already loaned them some five billions, and we have bought back three billions of our own securities, and we are raising a large sum of our own. That shows how these problems change as we approach them.

I have lately been making for an entirely different purpose, a close analysis of what may seem to be an uninteresting subject—the personnel as shown in the directory of the New York Stock Exchange. It is a very great revelation, although I have made very similar analyses before. If you will go through that directory you will find there a machinery, for the most part, unknown to the world for investment of surplus wealth, that is perfectly marvelous. I don't refer to what we ordinarily call the bond or brokerage business, but to the fact that this country is approaching, as England has long ago done, the position of being a possessor of great accumulated wealth, and that one broker after another is really nothing but a family investment agent. That is what it amounts to. There are railroad magnates, bankers, steel kings, copper kings, and so on indefinitely. Hundreds of firms in the New York Stock Exchange are nothing but channels for the investment of accumulated wealth, and I do not think we realize how much there is of that in this country.